

VZCZCXRO7527
RR RUEHIK
DE RUEHCP #0097/01 0500905
ZNR UUUUU ZZH
R 190905Z FEB 10
FM AMEMBASSY COPENHAGEN
TO RUEHC/SECSTATE WASHDC 5527
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEHMO/AMEMBASSY MOSCOW 1556
RHEBAAA/DEPT OF ENERGY WASHINGTON DC

UNCLAS SECTION 01 OF 02 COPENHAGEN 000097

SENSITIVE
SIPDIS

STATE FOR EUR:DAS QUANRUD, EUR/NB, EEB/HSC/IEC

E.O. 12958: N/A
TAGS: [ECON](#) [ENRG](#) [ECIN](#) [EPET](#) [PREL](#) [DA](#) [RS](#) [XG](#)
SUBJECT: DENMARK SUPPORTS EUROPE-WIDE APPROACH TO ENERGY
SECURITY

REF: 09 COPENHAGEN 521

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11. (SBU) SUMMARY: Danish Energy Agency (DEA) Deputy Director General Anne Hoejer Simonsen told EUR Deputy Assistant Secretary Pamela Quanrud in a February 10 meeting that Denmark continues to pursue energy security as a top national priority, and that greater EU energy interconnection is in Denmark's interest. Denmark anticipates that rigidity in EU electric transmission arrangements will ease with the implementation of the Treaty of Lisbon and believes that the EU should pursue grid expansion more aggressively. New EU members in Central Europe present a particular dilemma with regard to energy security, in part because of price subsidies that encourage over-consumption and discourage efficiency. Simonsen said ensuring all European consumers pay at least market prices for energy is "the key to energy security." Denmark is actively watching Russia, both in terms of Russia's control of gas flows in Europe, and whether Russia will be able to continue to deliver sufficient gas supplies to Europe in the face of aging infrastructure and increased deliveries to Asia. With regard to the Baltics, Denmark has hosted extensive visits by Baltic Energy Market Interconnection Plan (BEMIP) participants, but has not engaged in intensive meetings within the BEMIP framework; DAS Quanrud encouraged more Danish involvement. END SUMMARY.

12. (SBU) Danish Energy Agency (DEA) Deputy Director General Anne Hoejer Simonsen recounted Denmark's experience in achieving energy security, laid out the way forward in maintaining that security, and reiterated Denmark's support for an integrated European energy security approach, during a discussion with EUR Deputy Assistant Secretary Pamela Quanrud on February 10. Since the 1970s, energy security has been a top national priority in Denmark (reftel). Denmark achieved energy independence in the 1990s and Simonsen said that a strong consensus persists among Danish leadership (both government and opposition) that maintaining energy security despite diminishing Danish North Sea oil and gas reserves must be at the top of the national agenda. This includes broad agreement on a commitment to maintaining high energy costs for Danish consumers as an incentive to increase energy efficiency. It also includes working towards broader European energy security. Denmark is using its position as a "front runner" on energy security to influence European Union energy policy; Simonsen said that the 2008 EU energy policy reflected "all of Denmark's wishes." Denmark will soon outline a strategy on how to gain complete independence from fossil fuels by around 2050. The Danes proudly regard the last 35 years as a complete energy revolution in Denmark, but

anticipate that the country will need to undergo another complete revolution in the coming 35 years to maintain its position as an energy leader.

13. (SBU) Simonsen characterized EU energy interconnectivity as in the Danish interest. She outlined several specific projects to increase natural gas storage and expand gas and electricity connections to broader European networks in which Denmark is participating. She called increased EU investment in the expansion of natural gas networks and electric grids "wise," and said that energy infrastructure investment is "always a net positive." However, Denmark believes that the expansion of electric grids should be receiving more attention than the expansion of natural gas networks, as there can be greater diversity of supply for electricity and it can be used for heating just as well as natural gas.

14. (SBU) Simonsen opined that the energy policy provisions in the Treaty of Lisbon will enable member-state governments to pressure national electric transmission monopolies to become more efficient, helping to ease some of the rigidity that has characterized electricity transmission in Europe and open the path to more efficient interconnection of renewable energy sources. The common EU energy policy is having another benefit: as member countries are being required to submit their plans for attaining EU carbon reduction targets, the plans are being evaluated in Brussels to ensure that multiple countries are not relying on the same renewable sources and that adequate renewable supplies will be available to achieve the EU carbon commitments.

15. (SBU) The new EU members in Central Europe present particular difficulties for attaining European energy security, according to Simonsen. Denmark believes these new members must be fully integrated into the EU, and thus seeks

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opportunities on all matters to include them and cooperate with them. However, she was pointed in her criticism of policies throughout the region that subsidize energy costs for local consumers, which leads to uneven gas pricing across the EU, as well as encourages over-consumption and discourages efficiency in the new members. Requiring that all European consumers pay at least actual market prices for energy is "the key to energy security," she said. She also noted the lack of transparency in contracts for new energy infrastructure to connect eastern EU members with western networks. In Denmark's view, the European Commission must play a more active role in ensuring transparency in these contracts and ensuring that a minimum supply of energy be available to all member states.

16. (SBU) On Russia's influence on European energy security, Simonsen said discussion within the Danish Ministry of Climate and Energy is "very vivid -- it is what is in focus." (Comment: This renewed focus on Russia and European energy security comes largely, though not entirely, from newly-appointed Minister of Climate and Energy Lykke Friis, whose background as a European security and EU expert has been apparent in her early statements that energy security is at least as much a priority as climate concerns. End Comment.) Denmark is concerned not only about the threat that Russia might cut off gas to Europe, but also whether Russia will be able to meet delivery obligations as its natural gas infrastructure deteriorates and it sends more gas to China. On Danish approval of Nordstream, Simonsen said that the question was basically a technical one for the DEA. In the Danish view, Denmark was obligated under international law to approve construction through its territory as long as all environmental and security concerns were adequately resolved. DAS Quanrud emphasized that the U.S. is not opposed to Nordstream or any other route for energy to flow to Europe. Simonsen called conflicts over Nordstream between Germany and Poland "a political game too grand for Denmark." The Danes believe that once there is new gas flowing through the pipeline, it will be in all EU member states' interest to

ensure that the gas is appropriately distributed.

¶7. (SBU) DAS Quanrud asked Simonsen about Danish participation in the Baltic Energy Market Interconnection Plan (BEMIP). Simonsen replied that Denmark has hosted extensive visits by BEMIP participants, but has not engaged in intensive meetings within the BEMIP framework. Denmark has become expert in sharing information on how to establish smart electricity transmission systems that efficiently incorporate wind and other forms of renewable energy, and is open to becoming more active in sharing this knowledge with BEMIP countries. DAS Quanrud encouraged the Danes to become more involved in BEMIP and invited Denmark to consider making a presentation at the upcoming BEMIP meeting this spring on incorporating renewables.

¶8. (U) DAS Quanrud cleared this message.
FULTON